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4 October 1955

Copy No. 100

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CURRENT INTELLIGENCE BULLETIN

DOCUMENT NO. 28
NO CHANGE IN CLASS.
 DECLASSIFIED
CLASS. CHANGED TO: TS S C
NEXT REVIEW DATE: 2010
AUTH: HR 70-2
DATE: 15 Jan 1980 REVIEWER: 

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Office of Current Intelligence

CENTRAL INTELLIGENCE AGENCY

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DIA and DOS review(s) completed.

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Approved For Release 2004/03/15 : CIA-RDP79T00975A002200280001-6

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1. NASR UNYIELDING ON EGYPTIAN-SOVIET BLOC ARMS DEAL

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[REDACTED]

In a conversation with Assistant Secretary Allen and Ambassador Byroade on 1 October, Egyptian prime minister Nasr reiterated his determination to go through with his arms deal with the Soviet bloc.

The prime minister emphasized that the agreement with Czechoslovakia was without conditions and that any unusual features were in Egypt's favor. He insisted that he was as anxious to keep communism out of Egypt as anyone and that having got rid of the British and refused to let the Americans replace them, he was not likely to let the Communists move in.

Nasr again spoke at length of the threat of Israeli aggression, eventual if not immediate, as the motive for making a deal with the Soviet bloc, and said he was convinced the United States was trying to keep Egypt weak.

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2. FIRST SOVIET BLOC ARMS SHIPMENT ARRIVES IN EGYPT

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A shipload of Soviet small arms, including machine guns, arrived in Egypt on 27 September, according to information received by American officials in Cairo. Another shipment including 60 "Stalin" heavy tanks is to arrive within a week.

Comment Small arms, not previously reported to be a part of Egypt's deal with the Soviet bloc, will be more immediately useful to the Egyptian army than the much-publicized heavy equipment and aircraft promised by Moscow. However, Egypt's acquisition of heavy tanks, when made effective by training in their use, will introduce a new element into Middle Eastern military tactics, since neither the Arab states nor Israel has hitherto had equipment of this caliber.

Small arms available to Egypt may filter into the hands of nationalists in French North Africa.

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3. YUGOSLAVIA PROMISES GREATER CO-OPERATION IN US AID PROGRAM

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[Redacted]

Deputy Under Secretary of State Murphy believes that his past week's conversations with Yugoslav officials have substantially eliminated the difficulties

which had earlier caused American officials in Belgrade to recommend the suspension of military end-item deliveries. The Yugoslavs agreed that the American military assistance staff could contain at least 60 members--an increase of approximately 20. They also promised greater co-operation in furnishing information and allowing American inspection of units receiving US military goods.

The Yugoslavs appear to need and want US economic aid even more than last year as a result of "a certain disillusionment" with their recent negotiations with the USSR.

Murphy notes that aid to the Yugoslavs remains a calculated risk. He believes that Yugoslav communism may become more closely associated with the Soviet bloc, but thinks Yugoslavia will not join the Cominform or any similar organization. He comments that Tito's ambitions for playing a larger role in the Balkans make the Yugoslavs a potential spearhead for some effort to disrupt the Satellites' alignment with the USSR.

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5. COMMENT ON INDONESIAN ELECTION RETURNS

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[REDACTED]. Unofficial election returns reported through 3 October, largely from Java but including scattered counts from other areas, continued the lead of the National Party and dropped the Masjumi to fourth place. The Masjumi has been overtaken by the Nahdlatul Ulama (NU), another Moslem party, which now holds second place, and by the Communist Party.

Of the votes counted, which are believed to be about three fifths of the total cast, the approximate percentage distribution for the four leading parties is: National Party, 33; NU, 24; Communist Party, 23; and Masjumi, 20. These percentages do not reflect the vote for minor parties, for which no tabulations are available. The minor party vote, however, is unlikely to change the standing of the four major parties. If the electorate's turnout is uniformly 70 percent as estimated in areas already returned, about 12 million votes have yet to be counted.

The relative strength of both the National Party and the NU probably will be reduced by returns from non-Javanese areas, where both the Masjumi and the Communist Party are expected to pick up a greater proportion of the votes. However, there appears to be little chance that the National Party's lead will be overcome.

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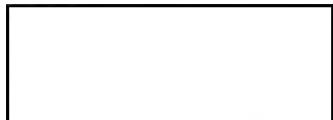
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6. LAOS PLANS COUNTEROFFENSIVE IN EVENT OF PATHET LAO ATTACKS

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The Laotian government will respond with a substantial counteroffensive if Pathet Lao attacks follow the expected breakdown of negotiations on 10 October.

Both the crown prince and the prime minister are confident of their army's capability of driving the Pathet Lao out of Phong Saly Province and of capturing Sam Neua town. The prince expressed his view that in the event of Viet Minh intervention in force, action by the Manila pact signatories would be appropriate.

The American embassy estimates that the royal government troops could withstand a general Pathet Lao attack if adequately supplied, but doubts they could mount a successful counteroffensive.

Comment

There is some indication that the Pathet Lao is planning further local action, although not yet on the scale of a general offensive.

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7. COMMENT ON SHAKE-UP IN RUMANIAN LEADERSHIP

[REDACTED]

The resumption of the post of Communist Party chief by Gheorghiu-Dej, the outstanding Rumanian Communist, and his relinquishment of the premiership reflect the renewed pre-eminence of party over government which has become characteristic in the Soviet bloc since the fall of Malenkov. The shift, following shortly after Khrushchev's visit to Bucharest, probably does not portend any significant policy changes or high-level purges in either the party or government.

[REDACTED]

The simultaneous announcement that the Rumanian Workers' (Communist) Party Congress will be held on 23 December suggests that Gheorghiu-Dej considers that Soviet bloc policy and the position of the Rumanian party are now sufficiently stabilized to permit the convocation of the twice-postponed party caucus.

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